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C O N F I D E N T I A L SECTION 01 OF 02 MADRID 000097

SIPDIS

PASS TO ELAINE SAMSON AND STACIE ZERDECKI OF EUR/WE

E.O. 12958: DECL: 01/28/2019

TAGS: PGOV PREL SP

SUBJECT: SPAIN: ALLEGED SPYING SCANDAL HIGHLIGHTS
FRACTURES WITHIN MAIN OPPOSITION PARTY

REF: A. 08 MADRID 785

1B. 08 MADRID 691

1C. 08 MADRID 537

Classified By: ADCM William H. Duncan for reasons 1.4 (b) and (d).

11. (SBU) SUMMARY: Allegations and counter-allegations of a spying scandal within the center-right Popular Party (PP) highlight the party's rivalries. Reports surfaced on January 19 that the PP-led Madrid regional government's (analogous to a U.S. state) minister of justice and internal affairs, Francisco Granados, created a spy ring - allegedly financed by public funds and managed from official offices - to keep tabs on rival politicians within the PP itself. Photographic evidence of the surveillance has been made public, so there is a growing acceptance that these individuals were indeed monitored, but it is unclear by whom and for what purpose. Granados denies all the charges. Madrid Regional President Esperanza Aguirre, who holds a post equivalent to a U.S. Governor and is a leading force at the national level in the conservative wing of the Popular Party, has not been implicated in the scandal. However, several targets of the alleged espionage, such as Madrid Deputy Mayor Manuel Cobo, are allied to City of Madrid Mayor Alberto Ruiz-Gallardon, who represents the PP's moderate wing and is often identified as Aguirre's chief rival for eventual leadership of the party if current leader Mariano Rajoy steps down. Aguirre has counterattacked with allegations that it is the PP itself and Madrid's City Hall that have been keeping secret files on PP officials. The allegations have surfaced as regional and European elections loom on the horizon and have damaged the PP's attempts to present a united front following a prolonged and divisive debate last year about Rajoy's leadership.

//THE ALLEGATIONS//

12. (U) Leading news daily *El Pais* (left of center) broke the story on January 19. Marcos Pena, a former police inspector who had been hired by Granados as a security consultant, told the newspaper that he and a team of former Civil Guards ran investigations on individuals and that he prepared confidential reports for Granados alone. Among the growing list of alleged targets were Madrid Deputy Mayor Manuel Cobo, Madrid Regional Government Vice President Ignacio Gonzalez, and Alfredo Prada, former Madrid Regional Government Minister of Justice. Pena reportedly created detailed dossiers on each of these figures after having monitored their activities at work, outside the office, and even on trips abroad. Upon further investigation, *El Pais* says it encountered espionage data within Granados' office that pre-dates Pena's employment there, but also has reported that a civil servants, union is attacking Granados, claims that his office did not engage in espionage by publicly alleging that those among them who refused to cooperate in actions they perceived "verged on the illegal" and were "harassed and ridiculed" by outside "security consultants" that Granados hired. Photographic evidence of the surveillance has been made public, so there

is a growing acceptance that these individuals were indeed monitored, but it is unclear by whom and for what purpose. According to the media, initial reports showed that the espionage was directed against key rivals of Aguirre who would have been likely to side with Rajoy. The spying appeared to be primarily aimed at determining who was conniving within the PP in the capital at a time of great upheaval in the party. Granados denies all the charges and says his office operates within the law.

¶3. (C) It is unclear what Aguirre knew or when she knew it; she at first disputed the veracity of the allegations, defended her subordinates, and called for anyone with knowledge of the facts to make it known to the proper authorities. In the second week of the scandal, however, she has come out fighting. She claims that she is a victim of a smear campaign by PP headquarters, which she says is after her politically. Spanish media reports suggest that PP headquarters has its own 69-page report - whose scanned index has been published - on the assets, friends, family and public decisions of her deputy, Gonzalez. Aguirre also has made counter-allegations, declaring that in 2006 Gonzalez discussed with Rajoy the existence of "secret" PP files on Gonzalez and Granados, which prompted Rajoy to phone Aguirre about the issue, which Aguirre admits later amounted to nothing compromising. The PP's former treasurer, Alvaro Lapuerta also has come forward, telling the press he informed Rajoy in March 2008 of his suspicions that he was being followed. However, some press reports suggest it was Lapuerta who assembled the 2006 files on Gonzalez and Granados. Finally, Aguirre has alleged that it is City Hall, led by Mayor Ruiz-Gallardon, rather than the regional office

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which employs a parapolice espionage unit.

//THE POLITICAL BACKDROP - JOCKEYING FOR POWER WITHIN THE PP//

¶4. (C) Before the March 2008 general election, Aguirre maneuvered successfully to keep her arch-rival, Madrid Mayor Ruiz-Gallardon, off the PP's congressional lists, and following the defeat of PP leader Mariano Rajoy in the general election, she tried to unseat Rajoy. She abandoned that attempt when it became clear she did not have sufficient support within the party. Media reports suggest the espionage began in March 2008, shortly after the general election (i.e., when Aguirre was mounting her coup against Rajoy). Regarding the spy scandal, Ruiz-Gallardon has said it appears that the regional government is employing an illegal para-police organization with espionage powers and has called for an investigation to clear up the matter.

¶5. (C) Rajoy has promised an internal PP investigation of the spying incident and has asked two trusted PP deputies to lead the inquiry. Despite being a two-time loser in Presidential politics and unrest in his own party, Rajoy won re-election as party leader last year. He thereafter pushed aside a number of party figures associated with former President Jose Maria Aznar and moved new figures, several of them female, into prominent positions in the party. The next scheduled opportunity to challenge him for the leadership will be at the PP convention in 2011 (the next general election is expected in 2012). Despite his post-general election moves to solidify his leadership, grumbling within the party about Rajoy has not stopped. Many say he has failed to take sufficient advantage of Zapatero's vulnerability on the weak economy. The Galician and Basque regional elections on March 1 and the European parliamentary elections on June 7 could be key tests for Rajoy. In anticipation, Rajoy, has said publicly he will not interpret a PP loss in any of those elections as an indication of lack of public support him.

//LOOKING AHEAD - INVESTIGATIONS LIKELY TO UNCOVER MORE DETAILS//

¶6. (U) A slew of investigations have begun to attempt to

uncover what really has been going on. In addition to the internal PP investigation mentioned above, Madrid Deputy Mayor Cobo filed a lawsuit on January 21 to get to the bottom of the scandal; public prosecutors began their inquiry the next day. Their first witness was the *El País* journalist who broke the story; the newspaper already has provided the files it has on the subject. Meanwhile, Investigating Judge Jose Sierra opened a case on January 26 to investigate the alleged espionage against Gonzalez while overseas, which Sierra has stated could be a violation of article 197 of the Penal Code and could result in a prison sentence of one to four years for anyone convicted of having carried out the surveillance. Granados is scheduled to appear in the Madrid regional Assembly on January 30 to clarify the facts.

¶7. (C) COMMENT: This spy scandal has erupted into a near free-for-all of allegations and counter-allegations of espionage, at least some of which appears to have been actually carried out, although by whom, on whose orders and for what purposes all remain to be revealed. It also remains unknown who is behind the constant source of leaks to the press on the issue. This scandal, which will no doubt drag on for a long time, could become a serious liability for Esperanza Aguirre, a hyper-ambitious politician who sees herself as a future President of the Spanish Government. To the extent that Aguirre is damaged, Ruiz-Gallardon's star may rise. Ruiz-Gallardon generally gets high marks as Mayor of Madrid. He is charming, sharp-witted, and has a reputation for honesty. An unknown is his vote-getting ability outside Madrid. During the Ambassador's farewell call with the Spanish President on January 16, Zapatero opined that Ruiz-Gallardon was the only member of the PP who could become President of Spain. As for Rajoy, while he may enjoy Aguirre's discomfort, the scandal could add to the impression that the PP under his leadership is more concerned with its internal rivalries than with the problems of ordinary Spaniards. The only clear winner at the moment would seem to be Zapatero and the PSOE who not only benefit from the spectacle of PP fratricide but probably welcome the distraction from all the economic bad news on their watch.

CHACON